

GARFIELD COUNTY, UTAH
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2004

GARFIELD COUNTY, UTAH

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GARFIELD COUNTY, UTAH

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FINANCIAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation
INDEPENDENT AUDITOR'S REPORT

The Honorable Board of
County Commissioners
Garfield County
Panguitch, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garfield County, Utah as of and for the year ended December 31, 2004 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garfield County, Utah as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2005, on our consideration of Garfield County, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garfield County, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Garfield County, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


WILSON & COMPANY
Certified Public Accountants

June 20, 2005
Cedar City, Utah

360 West 200 North

Cedar City, UT 84720

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MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Garfield County's (the County's) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2004. Please read this discussion and analysis in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- The County's total net assets at the close of the fiscal year totaled \$35,418,517.
- General fund expenditures exceeded revenues by \$989,427 after all transfers between funds.
- The general fund's ending fund balance of \$3,211,182 represents 39 percent of the total budgeted expenditures for the fiscal year ending December 31, 2005.
- The County's total long-term debt decreased by \$268,661.
- Total net assets for the County's business-type activities decreased by \$373,529.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's annual financial report includes: 1) this discussion and analysis, which serves as an introduction to the County's basic financial statements; 2) the basic financial statements comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements; and 3) other supplementary information.

Government-wide financial statements. The government-wide financial statements include a statement of net assets and a statement of activities that provide a County-wide perspective of the County's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

- The *statement of net assets* presents information on all of the County's assets and liabilities. The difference between assets and liabilities represents the County's net assets. Increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the County is improving or deteriorating, respectively.
- The *statement of activities* presents information reflecting how the County's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs irrespective of the timing of the related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The County utilizes three types of funds: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the County's general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the County's programs.

A reconciliation between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements is provided on page 13 and 15 of this report.

The County has identified two of its governmental funds to be major governmental funds requiring separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements on pages 41-42 of this report.

- *Proprietary funds* account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The County uses enterprise funds, one type of proprietary fund, to account for its business-type activities.

One of the County's enterprise funds qualifies as a major fund.

- *Fiduciary funds* account for resources held by the County for the benefit of parties outside the County. The County has a fiduciary responsibility to ensure that these resources are used for their intended beneficiaries and purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds cannot be used to finance County programs. The County's fiduciary responsibilities are reported separately in a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These statements are prepared using full accrual accounting methods similar to those used in preparing proprietary fund statements.

Fund financial statements can be found on pages 12-19 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements.

The notes to the financial statements are on pages 20-39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the County is improving or deteriorating, respectively. The County's total net assets, assets in excess of liabilities, totaled \$35,418,517.

GARFIELD COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities	
	2004	2003	2004	2003
Current & other assets	6,127,056	5,105,377	816,421	1,085,786
Capital assets	32,726,039	33,004,309	1,891,804	1,840,492
Total assets	<u>38,853,095</u>	<u>38,109,686</u>	<u>2,708,225</u>	<u>2,926,278</u>
Long-term liabilities outstanding	4,552,535	4,629,616		
Other liabilities	640,557	828,827	949,712	794,236
Total liabilities	<u>5,193,092</u>	<u>5,458,443</u>	<u>949,712</u>	<u>794,236</u>
Net assets:				
Investment in capital assets, net of debt	27,353,403	27,545,866	942,092	1,840,492
Restricted	158,213	234,058		
Unrestricted	6,148,388	4,871,319	816,421	291,550
Total net assets	<u>33,660,004</u>	<u>32,651,243</u>	<u>1,758,513</u>	<u>2,132,042</u>

GARFIELD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2004	2003	2004	2003
Revenues:				
Program revenues				
Charges for services	2,910,748	2,851,810	5,335,884	5,373,934
Operating grants & contributions	2,542,268	2,290,405		
Capital grants and contributions	172,758	778,216		
General revenues				
Taxes	2,988,000	2,783,505		
Interest earnings	89,033	78,358	4,221	4,069
Other revenues	(114,054)	39,322		
Total revenues	8,588,753	8,821,616	5,340,105	5,378,003
Expenses:				
General government	849,609	589,721		
Public safety/inspection services	2,530,509	2,893,104		
Public works/transportation services	2,341,344	4,217,922		
Culture and recreation	126,748	169,592		
Tourism/economic & community dev.	699,315	464,908		
Public health & welfare	232,395	166,038		
Interest and fiscal charges	338,054	17,410		
Hospital enterprise fund			6,175,652	5,987,980
Total expenses	7,117,974	8,518,695	6,175,652	5,987,980
Increase in net assets before transfers	1,470,779	302,921	(835,547)	(609,977)
Transfers	(462,018)	(250,000)	462,018	250,000
Increase/decrease in net assets	1,008,761	52,921	(373,529)	(359,977)

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As was previously noted, the County's governmental funds provide a short-term perspective of the County's general government operations and the financial resources available in the near future to finance the County's programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as either reserved or unreserved. Reserved fund balances indicate amounts of the fund balance set aside for specific purposes or to meet specific requirements.

As of December 31, 2004, the County's governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$ 5,868,748. This combined balance represents an increase of \$1,048,732 over last year's ending fund balances.

The general fund is the main operating fund of the County. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations or local ordinances; or, the County may simply desire to isolate the revenues and expenditures associated with a particular activity for matching purposes.

The general fund balance decreased by \$989,427 to \$3.2 million during the fiscal year ending December 31, 2004. The \$3.2 million fund balance represents approximately 39 percent of budgeted revenues for the fiscal year ending December 31, 2005. State law requires counties to maintain a fund balance between 5 and 50 percent of General Fund Revenues.

Taxes are the largest source of revenues to the general fund representing approximately 31 percent of total general fund revenues. Sales tax revenues account for approximately 46 percent of all of the tax revenues generated in the general fund. Property taxes generated about 44 percent of the tax revenues.

As was previously noted, the County maintains an enterprise fund to account for its business-type activities. The separate enterprise fund statements provide the same information, with more detail, as the information provided for business-type activities in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The year 2004 originally adopted budget for the general fund totaled \$8,246,393. The County Commission approved a budget revision during the year. Budgeted expenditures increased by \$2,351,261 to a final general fund budget of \$10,597,654. Several reasons necessitated this revision. First, the County established a separate Rural Health Care fund and transferred \$1,951,053 to this fund. Second, jail expenditures were significantly higher due to a larger number of inmates housed during the year. Finally, the Municipal Building Authority retired \$164,000 in outstanding bonds.

Actual general fund expenditures and transfers for the year ending December 31, 2004, totaled \$9,717,356. This amount is approximately \$1,470,963 above the originally adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2004, the County had invested \$34,617,843, net of accumulated depreciation, in capital assets for its governmental and business-type activities.

GARFIELD COUNTY'S CAPITAL ASSETS
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Construction in progress	179,544			
Land and easements	5,058,078	5,808,147	5,443	5,443
Buildings	6,172,085	6,046,820	607,948	662,868
Improvements	18,060,007	18,112,471	462,965	275,088
Machinery, equipment & automobiles	<u>3,256,325</u>	<u>3,036,871</u>	<u>815,448</u>	<u>897,093</u>
Total net assets	<u>32,726,039</u>	<u>33,004,309</u>	<u>1,891,804</u>	<u>1,840,492</u>

Capital asset acquisitions and projects costing \$50,000 or more during the current fiscal year included:

- ◆ The Public Works Department traded a 2003 Case Wheel Loader for a 2004 Case Wheel Loader. The difference paid by the County after trade-in was \$7,000.00. The total purchase price of the loader was \$97,250.00. A second 2003 Case Wheel Loader was traded for a 2004 Case Wheel Loader. The difference paid by the County was \$7,000.00. The total purchase price of the grader was \$92,250.00.
- ◆ An apron expansion project funded with a Federal Airport Improvement Project Grant, State Grant and County matching funds (approximately 5%) was completed in 2004. The amount expended on the project in 2004 was \$179,544.47. The total cost of the project was \$878,014.00.

Additional information regarding the County's capital assets can be found in the footnotes to the financial statements.

Long-term debt

At December 31, 2004, the County had total debt outstanding of \$4,360,955. Of this amount, \$4,329,000 is considered general obligation debt, which is secured by the full faith and credit of the County. Capital lease obligations outstanding at December 31, 2004 totaled \$31,955.

GARFIELD COUNTY'S OUTSTANDING DEBT
December 31, 2004

	<u>Governmental Activities</u>
General obligation bonds	\$ 4,329,000
Capital leases	<u>31,955</u>
Total	<u>\$ 4,360,955</u>

Additional information on the outstanding debt of the County is located in the footnotes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Garfield County was 9.8 percent for the year ended December 31, 2004. This percentage is higher than the state unemployment rate of 5.2 percent and higher than the national unemployment rate of 5.5 percent for the same period. (Source: Utah Department of Workforce Services and the U.S. Department of Labor)

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the County's finances and demonstrate accountability for the sources and uses of County funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Garfield County Auditor, PO Box 77, 55 South Main Street, Panguitch, Utah 84759.

BASIC FINANCIAL STATEMENTS

GARFIELD COUNTY, UTAH**Statement of Net Assets**

December 31, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash & cash equivalents	\$ 5,977,779	\$ 220,327	\$ 6,198,106
Accounts receivable	119,647	393,428	513,075
Inventory	29,630	202,666	232,296
Construction in progress	179,544		179,544
Capital assets, net of accumulated depreciation	32,546,495	1,891,804	34,438,299
Total assets	<u>38,853,096</u>	<u>2,708,225</u>	<u>41,561,321</u>
Liabilities and Net Assets			
Liabilities :			
Accounts payable	201,199	949,712	1,150,911
Payroll taxes payable	5,778		5,778
Wages payable	51,331		51,331
Compensated absences payable	382,249		382,249
Estimated closure and post-closure costs	191,580		191,580
Capital lease obligations payable - due within one year	31,955		31,955
Capital lease obligations payable - due after one year	-		-
Bonds payable			
Portion due within one year	220,000		220,000
Portion due after one year	4,109,000		4,109,000
Total liabilities	<u>5,193,092</u>	<u>949,712</u>	<u>6,142,804</u>
Net Assets:			
Invested in capital assets, net of related debt	27,353,403	942,092	28,295,495
Restricted for:			
Capital projects	83,432		83,432
Community development	25,127		25,127
Other purposes	49,654		49,654
Unrestricted	6,148,388	816,421	6,964,809
Total net assets	<u>\$ 33,660,004</u>	<u>\$ 1,758,513</u>	<u>\$ 35,418,517</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Activities
Year Ended December 31, 2004

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 849,609	\$ 60,559	\$ -	\$ -	\$ (789,050)
Public safety/inspection services	2,530,509	2,292,435	247,849	52,000	61,775
Public works/transportation services	2,341,344	532,417	1,897,844	120,758	209,675
Culture & recreation	126,748	5,337	105,386		(16,025)
Tourism/economic & community development	699,315	20,000	167,781		(511,534)
Public health & welfare	232,395		123,408		(108,987)
Interest and fiscal charges	338,054				(338,054)
Total governmental activities	7,117,975	2,910,748	2,542,268	172,758	(1,492,201)
Business-type activities:					
Hospital enterprise fund	6,175,652	5,335,884			(839,768)
Total business-type activities	6,175,652	5,335,884	-	-	(839,768)
Total government	\$ 13,293,627	\$ 8,246,632	\$ 2,542,268	\$ 172,758	\$ (2,331,969)

(Continued on page 11)

GARFIELD COUNTY, UTAH
Statement of Activities
Year Ended December 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue from previous page	\$ (1,492,201)	\$ (839,768)	\$ (2,331,969)
General revenues:			
Taxes:			
Property taxes	1,379,437		1,379,437
Fees-in-lieu of taxes	466,685		466,685
General sales and use taxes	513,180		513,180
Transient room taxes	499,115		499,115
Restaurant tax	129,583		129,583
Earnings on investments	89,033	4,221	93,254
Miscellaneous	13,193		13,193
Loss on Sale of Assets	(127,246)		(127,246)
Operating transfers	(462,018)	462,018	-
Total general revenues and transfers	<u>2,500,962</u>	<u>466,239</u>	<u>2,967,201</u>
Increase in net assets	1,008,761	(373,529)	635,232
Net assets - beginning	32,651,243	2,132,042	34,783,285
Net assets - ending	<u>\$ 33,660,004</u>	<u>\$ 1,758,513</u>	<u>\$ 35,418,517</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GARFIELD COUNTY, UTAH**Balance Sheet****Governmental Funds**

December 31, 2004

	<u>General</u>	<u>Rural Health Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash & cash equivalents	\$ 3,288,535	\$ 2,005,190	\$ 684,054	\$ 5,977,779
Due from other funds	31,678			31,678
Other receivables	119,647			119,647
inventory	29,630			29,630
Total assets	<u>\$ 3,469,490</u>	<u>\$ 2,005,190</u>	<u>\$ 684,054</u>	<u>\$ 6,158,734</u>
Liabilities:				
Accounts payable	\$ 201,199	\$ -	\$ -	\$ 201,199
Payroll taxes payable	5,778			5,778
Wages payable	51,331			51,331
Due to other funds			31,678	31,678
Total liabilities	<u>258,308</u>	<u>-</u>	<u>31,678</u>	<u>289,986</u>
Fund balances:				
Reserved	49,654	2,005,190		2,054,844
Unreserved, undesignated	3,161,528		652,376	3,813,904
Total fund balances	<u>3,211,182</u>	<u>2,005,190</u>	<u>652,376</u>	<u>5,868,748</u>
Total liabilities and fund balances	<u>\$ 3,469,490</u>	<u>\$ 2,005,190</u>	<u>\$ 684,054</u>	<u>\$ 6,158,734</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 5,868,748
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$56,258,470 and the accumulated depreciation is \$23,532,432.	32,726,038
Long-term Obligations	(4,934,782)
Total net assets - governmental activities	<u>\$ 33,660,004</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2004

	<u>General</u>	<u>Rural Health Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 2,509,061	\$ 50,246	\$ -	\$ 2,559,307
Interest earnings	70,857	3,892	14,285	89,033
Licenses and permits	78,168			78,168
Intergovernmental revenues	2,577,750		548,788	3,126,538
Charges for services	2,456,168		-	2,456,168
Fines and forfeitures	216,957			216,957
Miscellaneous	206,640		-	206,640
Total revenues	<u>8,115,601</u>	<u>54,137</u>	<u>563,073</u>	<u>8,732,811</u>
EXPENDITURES:				
General government	907,066		-	907,066
Public safety/inspection services	2,719,642		-	2,719,642
Public works/transportation	1,840,064		182,201	2,022,265
Culture & recreation	126,748		-	126,748
Tourism/economic & community development	695,520		-	695,520
Public health & welfare	211,765		-	211,765
Capital outlay			-	-
Debt service	539,054			539,054
Total expenditures	<u>7,039,860</u>	<u>-</u>	<u>182,201</u>	<u>7,222,061</u>
Excess of revenues over (under) expenditures	<u>1,075,740</u>	<u>54,137</u>	<u>380,872</u>	<u>1,510,750</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	612,328	1,951,053	129,425	2,692,806
Operating transfers out	(2,677,496)		(477,328)	(3,154,824)
Total other financing sources (uses)	<u>(2,065,168)</u>	<u>1,951,053</u>	<u>(347,903)</u>	<u>(462,018)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(989,427)	2,005,190	32,970	1,048,732
FUND BALANCES JANUARY 1	4,200,609		619,407	4,820,016
FUND BALANCES DECEMBER 31	<u>\$ 3,211,182</u>	<u>\$ 2,005,190</u>	<u>\$ 652,376</u>	<u>\$ 5,868,748</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 1,048,732
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	599,545	
Depreciation expense	<u>(733,757)</u>	(134,212)

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	<u>201,000</u>	201,000
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Long-term capital lease payments are recorded as expenditures as paid	67,662
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Net increase in compensated absences payable	(30,362)
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Gain on assets sold	(144,059)
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Change in net assets of governmental activities	<u><u>\$ 1,008,761</u></u>
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GARFIELD COUNTY, UTAH
Statement of Net Assets
Major Proprietary Funds
December 31, 2004

	Hospital Enterprise Fund	Total
Assets		
Current assets:		
Cash & cash equivalents	\$ 220,327	\$ 220,327
Accounts receivable (net of allowance)	393,428	393,428
Inventory	202,666	202,666
Total current assets	<u>816,421</u>	<u>816,421</u>
Long-term assets:		
Capital assets, net of accumulated depreciation	<u>1,891,804</u>	<u>1,891,804</u>
Total long-term assets	<u>1,891,804</u>	<u>1,891,804</u>
Total assets	<u><u>\$ 2,708,225</u></u>	<u><u>\$ 2,708,225</u></u>
Liabilities and Net Assets		
Liabilities :		
Current liabilities:		
Accounts payable	\$ 949,712	\$ 949,712
Total current liabilities	<u>949,712</u>	<u>949,712</u>
Total liabilities	<u>949,712</u>	<u>949,712</u>
Net assets:		
Invested in capital assets, net of related debt	942,092	942,092
Unrestricted	<u>816,421</u>	<u>816,421</u>
Total net assets	<u><u>\$ 1,758,513</u></u>	<u><u>\$ 1,758,513</u></u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Revenues, Expenses and Changes in Net Assets
Major Proprietary Funds
Year Ended December 31, 2004

	Hospital Enterprise Fund	Total
Operating revenues:		
Net revenue	\$ 5,335,884	\$ 5,335,884
Miscellaneous		
Total operating revenues	<u>5,335,884</u>	<u>5,335,884</u>
Operating expenses:		
Salaries	3,313,435	3,313,435
Employees benefits	1,016,624	1,016,624
Central services	162,657	162,657
Medical supplies	391,042	391,042
Non-medical supplies	167,969	167,969
Professional services	144,368	144,368
Purchased services	383,846	383,846
Utilities	81,651	81,651
Risk management	84,153	84,153
Other expenses	175,594	175,594
Depreciation	287,813	287,813
Total operating expenses	<u>6,209,152</u>	<u>6,209,152</u>
Operating income (loss)	(873,268)	(873,268)
Nonoperating income:		
Interest earnings	4,221	4,221
Gain (Loss) on disposition of assets	33,500	33,500
Total nonoperating income	<u>37,721</u>	<u>37,721</u>
Net income (loss) before transfers	(835,547)	(835,547)
Transfer in	462,018	462,018
Change in net assets	(373,529)	(373,529)
Net assets - beginning	2,132,042	2,132,042
Net assets - ending	<u>\$ 1,758,513</u>	<u>\$ 1,758,513</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Cash Flows
Major Proprietary Funds
Year Ended December 31, 2004

	Hospital Enterprise Fund	Total
Cash flows from operating activities:		
Cash received from customers	\$ 5,657,807	\$ 5,657,807
Cash payments to suppliers for goods and services	(1,400,841)	(1,400,841)
Cash payments to employees for services	(4,330,059)	(4,330,059)
Net cash provided (used) by operating activities	<u>(73,093)</u>	<u>(73,093)</u>
Cash flows from noncapital financing activities:		
Operating transfers from other funds	<u>462,018</u>	<u>462,018</u>
Net cash (used) by noncapital financing activities	<u>462,018</u>	<u>462,018</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(305,625)</u>	<u>(305,625)</u>
Net cash (used) by capital and related activities	<u>(305,625)</u>	<u>(305,625)</u>
Cash flows from investing activities		
Interest received	<u>4,221</u>	<u>4,221</u>
Net cash (used) by investing activities	<u>4,221</u>	<u>4,221</u>
Net increase in cash and cash equivalents	<u>87,521</u>	<u>87,521</u>
Cash and Cash Equivalents - Beginning	<u>132,806</u>	<u>132,806</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 220,327</u></u>	<u><u>\$ 220,327</u></u>
Reconciliation of operating income (loss) to net net cash provided (used) by operating activities:		
Operating income (loss)	\$ (873,268)	\$ (873,268)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		-
Depreciation expense	287,813	287,813
Increase decrease accounts receivable	321,923	321,923
Increase decrease in inventory	34,963	34,963
Increase decrease in other assets	-	-
Increase decrease in accounts payable	<u>155,476</u>	<u>155,476</u>
Total adjustments	<u>800,175</u>	<u>800,175</u>
Net cash provided (used) by operating activities	<u><u>\$ (73,093)</u></u>	<u><u>\$ (73,093)</u></u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2004

	<u>Total</u>
Assets	
Cash & cash equivalents	\$ 597,553
Taxes receivable	35,506
Total assets	<u>\$ 633,059</u>
Liabilities	
Due to taxing units	\$ 633,059
Total liabilities	<u>\$ 633,059</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Garfield County have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended December 31, 2004.

A. Reporting Entity

For financial reporting purposes, Garfield County has included all funds and account groups. The County has also considered all potential component units for which it is financially accountable and that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

As required by generally accepted accounting principles, these basic financial statements present Garfield County (the primary government) and its component units. The component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discretely Presented Component Units:

There are no discretely presented component units.

Blended component Units:

Garfield County Special Service District #1

The Special Service District provides services to residents within the geographic boundaries of the government. The District provides construction, maintenance and repair of roads within the unincorporated areas of the County. Funding is provided through allocations of state mineral lease funds. Transactions of the District are blended into the audit report issued by Garfield County. No separate audit report is issued.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Municipal Building Authority of Garfield County, Utah

The Municipal Building Authority of Garfield County, Utah (the Authority) was formally recognized by the State of Utah as an incorporated entity on January 4, 1994. The Authority was formed for the purpose of accomplishing the public purposes for which Garfield County exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of Garfield County. The Authority is governed by a board of trustees comprised of the three elected commissioners of Garfield County. Transactions of the Authority are blended into the audit report issued by Garfield County. No separate audit report is issued.

Garfield County Fire Protection and Recreation District

The Garfield County Fire Protection and Recreation District was created on June 14, 1999 by Resolution 1999-5. The District was created to provide fire protection and recreation programs for the citizens of Garfield County. The District is governed by a supervisory board comprised of the three elected commissioners of Garfield County and local fire marshals. Transactions of the District are blended into the audit report issued by Garfield County. No separate audit report is issued.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C: Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Garfield County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Rural Health Care Fund accounts for the collection and disbursement of rural health care tax funds collected by the County and used to support health care facilities within the County.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Government also reports the following Other Governmental Funds:

The Municipal Building Authority which accounts for the construction of major fixed assets which are then leased to Garfield County for County purposes.

Fire Protection and Recreation Special Service District. This fund accounts for revenues and expenses allocated for specific purposes.

Garfield County Special Service District #1 accounts for funds received generally from state allocated mineral lease funds and expends those funds for construction, repairs and maintenance of roads in the unincorporated areas of Garfield County.

The government reports the following major proprietary fund:

The Hospital Enterprise Fund accounts for the activities of the Garfield Memorial Hospital. Operating revenues and expenses result from health care related services provided by hospital operations. The principal revenues of the fund generally result from charges to patients, insurance companies, medicare and medicaid agencies. Operating expenses result from hospital operations including depreciation of capital assets. All revenue and expense not meeting this definition are reported as non-operating revenues and expense.

The Treasurer's Tax Collection Agency Fund is used to account for taxes collected by the County Treasurer but not paid as a December 31 to the taxing entities within the County.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D: Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 Years

Compensated Absences:

The County has a policy which allows full time employees to accumulate vacation pay and sick pay. The County allows 30 days of vacation pay to be carried over from year to year. Upon termination employees will be paid one-half of unused, accrued sick leave up to 30 work days.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 56,258,470
Accumulated depreciation	<u>(23,532,432)</u>
Total difference	<u>\$ 32,726,038</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds and leases	\$ (4,360,953)
Compensated absences	(382,249)
Estimated closure and post-closure costs for landfill operations	<u>(191,580)</u>
Total difference	<u>\$ (4,934,782)</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 599,545
Depreciation expense	<u>(733,757)</u>
Net difference as reported	<u>\$ (134,212)</u>

The governmental funds report bond proceeds as an other financing sources, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 201,000
Repayment of capital lease principal	<u>67,662</u>
	<u>\$ 268,662</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds. The detail of this difference is as follows:

Loss on Assets Sold	\$ (127,246)
Compensated Absences	<u>(30,362)</u>
Total Adjustment	<u>\$ (157,608)</u>

F: Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G: Property Tax Calendar:

January 1	Lien Date – All property appraised based upon situs and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.
July 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
Sept. 1	State Tax Commission approves tax rates.
Nov. 1	County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Nov. 1 County auditor to charge the County Treasurer to account for all taxes levied.
- Nov. 1 County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
- Nov. 30 Taxes on real property become delinquent.

H: Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction. The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the County Commission in the month of November, the County Auditor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the County Commission makes final adjustments to the tentative budget.
4. On or before December 15, the County Commission adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The Budget officer may transfer unexpended budgeted amounts within departments.
6. The County Commission may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the County Commission.
8. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Counties require Counties to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance – budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

NOTE 2: DEPOSITS AND INVESTMENTS

The County and component units maintain detailed accounting records for individual funds. The basis of investments is cost. Deposits and investments are not required to be collateralized by state statute.

There are no restrictions or material differences in the types of investments that can be made for different funds, fund types, or component units, provided such investments meet the requirements of the Utah Money Management Act.

Deposits: The County and component units follow the requirements of the Utah Money Management Act (Utah code Annotated 1953, Section 51, Chapter 7) in handling depository and temporary investment transactions. This law requires the County and component units to deposit funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits of the County and component units at December 31, 2004, were deposited with federally insured banks who are certified institutions according to the Utah Money Management Act.

The following table summarizes the deposits held at December 31, 2004. Garfield County and the Garfield County Municipal Building Authority also have deposits held by the trust department of Zions Bank as fiscal agent for bonds issued and grant funds received by the Municipal Building Authority and the County. In addition, hospital funds are held by IHC Health Services, Inc. pursuant to a management agreement with the County relating to the Garfield County Memorial Hospital and clinics.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 2: DEPOSITS AND INVESTMENTS - CONTINUED

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Garfield County:		
Federally Insured Deposits -		
Zions Bank	\$ 100,000	\$ 100,000
Amounts in Excess of Federal		
Insurance	205,833	58,834
Deposits held by IHC Health		
Services, Inc.	220,327	
Garfield County Special Service		
District #1:		
Federally Insured Deposits -		
Zions Bank	324	324
Municipal Building Authority of		
Garfield County:		
Federally Insured Deposits -		
Zions Bank	1,455	1,840
Deposits with Fiscal Agent -		
Zions Bank	16,636	

Investments: Garfield County and component units hold investments in the Utah State Treasurer's Pool. Such investments are evidenced by deposit receipts issued by the Utah State Treasurer's Office. The degree of risk associated with the investments held by the State Treasurer's Pool depends on the underlying portfolio. Therefore, these amounts are not categorized according to risk. The summary of investments provided by the Utah State Treasurer indicates pool investments in commercial paper, certificates of deposit, corporate notes, US Treasury obligations, and obligations of agencies of the United States. The following table summarizes investments.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Garfield County:		
Investments in State Treasurer's Pool	\$ 2,982,702	\$ 2,982,702
Garfield County Special Service Dist. #1	289,425	289,425
Municipal Building Authority of		
Garfield County	97,019	97,019
Rural Health Care	2,005,190	2,005,190

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 2: CASH AND INVESTMENTS - CONTINUED

	<u>Carry Amount</u>	<u>Fair Value</u>
Garfield County Fire and Recreation Special Service District	279,195	279,195

A reconciliation of cash and investments as shown on the statement of net assets is as follows:

Carrying amount of deposits	\$ 544,575
Carrying amount of investments	<u>5,653,531</u>
Total	<u>\$ 6,198,106</u>
Statement of Net Assets:	
Cash and Cash Equivalents	<u>\$ 6,198,106</u>

NOTE 3. COMPENSATED ABSENCES:

Compensated absences of Garfield County represent accrued vacation and sick pay at December 31, 2004, in the amount of \$382,249.

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2004 was a follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Construction in Progress	\$	\$ 179,544	\$	\$ 179,544
Land	<u>5,808,147</u>		<u>750,069</u>	<u>5,058,078</u>
Total capital assets, not being depreciated	<u>5,808,147</u>	<u>179,544</u>	<u>750,069</u>	<u>5,237,622</u>
Capital assets, being depreciated:				
Buildings	6,391,000	750,069		7,141,069
Improvements other than buildings	37,807,802			37,807,802
Machinery, equipment, furniture & autos	<u>5,934,966</u>	<u>420,001</u>	<u>282,990</u>	<u>6,071,977</u>
Total capital assets, being depreciated	<u>50,133,768</u>	<u>1,170,070</u>	<u>282,990</u>	<u>51,020,848</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 4. CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Accumulated depreciation for:				
Buildings	344,180	624,805		968,985
Improvements other than buildings	19,695,331	165,718	113,254	19,747,795
Machinery, equipment, furniture & autos	2,898,095	435,738	518,181	2,815,652
Total accumulated depreciation	<u>22,937,606</u>	<u>1,226,261</u>	<u>631,435</u>	<u>23,532,432</u>
Total capital assets, being depreciated, net	<u>27,196,162</u>	<u>(56,191)</u>	<u>(348,445)</u>	<u>27,488,416</u>
Governmental activities capital assets, net	<u>\$ 33,004,309</u>	<u>\$ 123,353</u>	<u>\$ 401,624</u>	<u>\$ 32,726,038</u>

Business type activities:

Capital assets, not being depreciated

Land	<u>\$ 5,443</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,443</u>
Total capital assets, not being depreciated	<u>5,443</u>			<u>5,443</u>

Capital assets, being depreciated:

Buildings	1,508,578			1,508,578
Improvements other than buildings	593,132	226,564		819,696
Machinery, equipment & furniture	<u>2,304,508</u>	<u>129,614</u>		<u>2,434,122</u>
Total capital assets, being depreciated	<u>4,406,218</u>	<u>356,178</u>		<u>4,762,396</u>

Accumulated depreciation for:

Buildings	845,710	54,920		900,630
Improvements other than buildings	318,044	38,687		356,731
Machinery, equipment & furniture	<u>1,407,415</u>	<u>211,259</u>		<u>1,618,674</u>
Total accumulated depreciation	<u>2,571,169</u>	<u>304,866</u>		<u>2,876,035</u>
Total capital assets, being depreciated, net	<u>1,835,049</u>	<u>51,312</u>		<u>1,886,361</u>
Governmental activities capital assets, net	<u>\$ 1,840,492</u>	<u>\$ 51,312</u>	<u>\$</u>	<u>\$ 1,891,804</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 4. CAPITAL ASSETS - CONTINUED

	<u>Beginning Balance</u>
Depreciation was charged to functions as follows:	
General government	\$ 17,629
Public safety; inspection services	197,544
Public works/transportation services	491,611
Tourism/economic & community development	6,838
Public health & welfare	20,135
Total	<u>\$ 733,757</u>

NOTE 5. CHANGES IN LONG-TERM DEBT:

The following is a summary of bond transactions of the County for the fiscal year ended December 31, 2004:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Bonds payable as 12/31/03	\$4,366,000	\$ 164,000	\$ 4,530,000
Bonds Issued	1,935,000		1,935,000
Less Bond Payments	<u>(1,972,000)</u>	<u>(164,000)</u>	<u>(2,136,000)</u>
Bonds payable as 12/31/04	<u>\$ 4,329,000</u>	<u>\$ _____</u>	<u>\$ 4,329,000</u>

During the year ending December 31, 2004, the County issued \$1,935,000 in General Obligation Refunding Bonds-Series 2004.

The refunding bonds were used to refund \$1,775,000 of the outstanding balance of the General Obligation Bonds-Series 1999A with \$600,000 of the Series 1999A bonds remaining outstanding and to be paid by the County as defined by the bond covenants.

This transaction is considered to be an advanced refunding in that the refunding proceeds of \$1,935,000 were placed in an irrevocable escrow arrangement for the purpose of paying interest and principal on \$1,775,000 of the General Obligation Bonds-Series 1999A. The General Obligation Bonds-Series 1999A were originally issued in the amount of \$2,850,000 and had an outstanding principal balance of \$2,480,000 at the time of the partial refunding.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 5. CHANGES IN LONG-TERM DEBT – CONTINUED

In accordance with generally accepted accounting principles concerning advanced refunding of bonds, the defeased bonds and refunding escrow are not reported by the County as part of the financial statements.

The Series 1999A bonds refunded bore interest varying from 5.1% to 5.55%. The refunding bond issue bears interest varying between 3% and 5% with the true interest cost at 3.82%. The average life of this issue is 10.461 years.

The refunding results in gross debt service savings of \$74,310 with the present value of the savings being \$59,482.

The County also prepaid the \$164,000 outstanding of the Lease Revenue Bonds-Series 1994.

Long-term debt outstanding at year end is composed of the following:

\$2,850,000 General Obligation Bonds Series 1999A

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2005	110,000	125685	235685
2006	115,000	120460	235460
2007	120,000	114940	234940
2008	125,000	109060	234060
2009	130,000	102873	232873
Total	<u>\$ 600,000</u>	<u>\$ 573,018</u>	<u>\$ 1,173,018</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT

December 31, 2004

NOTE 5. CHANGES IN LONG-TERM DEBT – CONTINUED

\$2,000,000 General Obligation Bonds – Series 1999-B

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2005	87,000	41900	128900
2006	89,000	39725	128725
2007	91000	37500	128500
2008	93000	35225	128225
2009	96000	32900	128900
2010	98,000	30500	128500
2011	100000	28050	128050
2012	103000	25550	128550
2013	105,000	22975	127975
2014	108,000	20350	128350
2015	111,000	17650	128650
2016	113,000	14875	127875
2017	116,000	12050	128050
2018	119,000	9150	128150
2019	122,000	6175	128175
2020	125,000	3125	128125
Total	<u>\$ 1,676,000</u>	<u>\$ 377,700</u>	<u>\$ 2,053,700</u>

**\$1,935,000 General Obligation Public Safety Refunding Bonds
Series 2004**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2005	15,000	76,331	91,331
2006	15,000	74,630	89,630
2007	20,000	74,180	94,180
2008	20,000	73,580	93,580
2009	20,000	72,980	92,980
2010	160,000	72,380	232,380
2011	160,000	67,580	227,580
2012	170,000	62,620	232,620
2013	170,000	57,095	227,095
2014	180,000	51,400	231,400
2015	185,000	45,190	230,190
2016	190,000	38,530	228,530
2017	200,000	31,500	231,500
2018	210,000	21,500	231,500
2019	220,000	11,000	231,000
Total	<u>\$ 1,935,000</u>	<u>\$ 830,496</u>	<u>\$ 2,765,496</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 5. CHANGES IN LONG-TERM DEBT – CONTINUED

\$150,000 General Obligation Bonds – Series 1999-C

<u>Year</u>	<u>Principal Amount</u>	<u>Total Amount</u>
2005	8,000	8,000
2006	8,000	8,000
2007	8000	8,000
2008	8000	8000
2009	8000	8000
2010	8000	8000
2011	7,000	7000
2012	7000	7000
2013	7,000	7000
2014	7,000	7000
2015	7,000	7000
2016	7,000	7000
2017	7,000	7000
2018	7,000	7000
2019	7,000	7000
2020	7,000	7000
Total	<u>\$ 118,000</u>	<u>\$ 118,000</u>

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description. Garfield County contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with (without) Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 6. DEFINED BENEFIT PENSION PLAN - CONTINUED

the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. As of December 31, plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary (all or part may be paid by the employer for the employee) and Garfield County is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System Garfield County is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage division members are required to contribute 19.08% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Garfield County's contributions to the Local Governmental Contributory Retirement System for the years ending December 31, 2004, 2003 and 2002 were \$17,158, \$15,012 and \$13,173 respectively and for the Noncontributory Retirement System the contributions for December 31, 2004, 2003 and 2002 were \$121,650, \$102,065 and \$87,209 respectively and for the Public Safety Retirement System the contributions for December 31, 2004, 2003, 2002 were \$134,990, \$107,630 and \$94,524 respectively. The contributions were equal to the required contributions for each year.

NOTE 7. LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Garfield County has estimated closure and post-closure care costs for landfills located within the County to be \$191,580. The nature and source of these costs as estimated by Garfield County are described below as well as other pertinent information concerning the landfills.

As of the date of this report, the County had not been notified of any corrective actions that need to be taken towards the landfills.

Total estimated closure and post-closure care costs of \$191,580 have been reflected on the County's balance sheet in the General Long-Term Debt Account Group.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 7. LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS - CONTINUED

Closure Costs:	<u>Johns Valley</u>	<u>Ticaboo</u>	<u>Dead Animal Pit</u>
Cover material	\$ 88,000	\$ 22,100	\$ 400
Engineering	4,400	1,100	
Quality control	<u>8,800</u>	<u>2,200</u>	
Total Closure Costs	101,200	25,400	400
Post-Closure Costs:			
Groundwater monitoring	36,000		
Leachate Collection and Storage	3,000		
Monitoring and System O & M	6,000		
Vegetative cover	150	150	
Soil cover	1,000	3,430	
Contingencies	2,350	500	
Reports	<u>6,000</u>	<u>6,000</u>	
Total Post-Closure Costs	<u>54,500</u>	<u>10,080</u>	
Total Costs	<u>\$ 155,700</u>	<u>\$ 35,480</u>	<u>\$ 400</u>

To date, Garfield County has not incurred any closure or post-closure care costs. The total estimated costs to be recognized remains at \$191,580.

Estimated landfill capacity used to date based on the county engineers estimates are as follows:

Johns Valley	22%
Ticaboo	22%
Dead Animal Pit	26%

The County estimates the useful life of each landfill as follows:

Johns Valley	50 plus years
Ticaboo	25 years
Dead Animal Pit	10 years

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2004

NOTE 8. RISK MANAGEMENT:

Garfield County is exposed to various types of risk such as tort actions, theft of, damage to, or destruction of, assets by intent or acts of God, errors and omissions, and job related illnesses or injury.

The County has procured commercial insurance coverage, which in the County's estimation, is adequate to reduce the risk of loss to a manageable level.

Settlements have not exceeded coverages for each of the past three years.

NOTE 9. CAPITAL LEASES:

Garfield County has entered into capital lease agreements which require the following scheduled payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$ 31,955</u>	<u>\$ 707</u>	<u>\$ 32,662</u>
Total	<u>\$ 31,955</u>	<u>\$ 707</u>	<u>\$ 32,662</u>

NOTE 10. HOSPITAL ACQUISITION:

The County entered into an asset purchase agreement with IHC Health Services, Inc., a Utah nonprofit corporation effective July 1, 2000 to purchase the assets of Garfield Memorial Hospital located in Panguitch, Utah. The asset purchase agreement was approved and ratified by a unanimous vote of the Garfield County Commission on October 9, 2000. The approval of the asset purchase agreements is documented by Garfield County Resolution No. 2000-15.

Pursuant to the asset purchase agreement, IHC Health Services, Inc. transferred hospital assets to the County. The County in turn assumed certain liabilities associated with the operation of the hospital. The County has reflected the purchase and operation of the hospital in an enterprise fund. In order to assure that funds will be available to cover operations of the Garfield Memorial Hospital and clinics, the County imposed a rural health care tax applicable to all transactions in the County which are subject to sales tax.

Also effective July 1, 2000, the County entered into a management agreement with IHC Health Services, Inc. to provide management services to the hospital. The agreement runs for a one-year period and from year-to-year thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

GARFIELD COUNTY, UTAH
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, January 1	\$ 4,200,609	\$ 4,200,609	\$ 4,200,609	\$ -
Resources (inflows):				
Taxes	2,245,000	2,435,000	2,509,061	74,061
Interest earnings	70,000	70,000	70,857	857
Licenses and permits	56,500	63,500	78,168	14,668
Intergovernmental revenues	2,397,880	2,554,283	2,577,750	23,467
Charges for services	2,270,921	2,378,321	2,456,168	77,847
Fines and forfeitures	268,847	303,847	216,957	(86,890)
Miscellaneous	313,500	255,000	206,640	(48,360)
Operating transfers in	302,991	677,991	612,328	(65,663)
Amounts available for appropriation	<u>\$ 12,126,248</u>	<u>\$ 12,938,551</u>	<u>\$ 12,928,538</u>	<u>\$ (10,013)</u>
Charges to appropriations (outflows):				
General government	\$ 951,537	\$ 1,016,537	\$ 907,066	\$ 109,471
Public safety/inspection services	2,645,197	2,828,197	2,719,642	108,555
Public works/transportaion	2,249,289	2,097,737	1,840,064	257,673
Culture & recreation	140,080	150,230	126,748	23,482
Tourism/economic & community development	965,579	1,008,249	695,520	312,729
Public health & welfare	215,215	223,155	211,765	11,390
Capital outlay				-
Debt service	382,496	597,496	539,054	58,442
Transfers out to other funds	697,000	2,676,053	2,677,496	(1,443)
Total charges to appropriations	<u>8,246,393</u>	<u>10,597,654</u>	<u>9,717,356</u>	<u>880,298</u>
Budgetary fund balance, December 31	<u>\$ 3,879,855</u>	<u>\$ 2,340,897</u>	<u>\$ 3,211,182</u>	<u>\$ 870,285</u>

The notes to the financial statements are an integral part of this statement.

**COMBINING FINANCIAL STATEMENTS
AND SCHEDULES**

GARFIELD COUNTY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended December 31, 2004

	Municipal Building Authority	Special Service District #1	Fire Protection Recreation SSD	Total Nonmajor Governmental Funds
Assets:				
Cash & cash equivalents	\$ 115,110	\$ 289,749	\$ 279,195	\$ 684,054
Other receivables				
Total assets	<u>\$ 115,110</u>	<u>\$ 289,749</u>	<u>\$ 279,195</u>	<u>\$ 684,054</u>
Liabilities:				
Due to other funds	\$ 31,678	\$ -	\$ -	\$ 31,678
Total liabilities	<u>31,678</u>	<u>-</u>	<u>-</u>	<u>31,678</u>
Fund balances:				
Reserved				
Unreserved, undesignated	83,432	289,749	279,195	652,376
Total fund balances	<u>83,432</u>	<u>289,749</u>	<u>279,195</u>	<u>652,376</u>
Total liabilities and fund balances	<u>\$ 115,110</u>	<u>\$ 289,749</u>	<u>\$ 279,195</u>	<u>\$ 684,054</u>

GARFIELD COUNTY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2004

	Municipal Building Authority	Special Service District #1	Fire Protection Recreation SSD	Nonmajor Governmental Funds
REVENUES:				
Interest earnings	\$ 2,136	\$ 8,090	\$ 4,058	\$ 14,285
Intergovernmental revenues	120,758	204,958	223,071	548,788
Charges for services				
Miscellaneous				
Total Revenues	122,894	213,049	227,130	563,073
EXPENDITURES:				
General government				
Public safety/inspection services				
Public works/transportation	182,201			182,201
Culture & recreation				
Tourism/economic & community development				
Public health & welfare				
Capital outlay				
Debt service:				
Principal retirements				
Interest and fiscal charges				
Total Expenditures	182,201			182,201
Excess of Revenues over (under) Expenditures	(59,306)	213,049	227,130	380,872
OTHER FINANCING SOURCES (USES):				
Operating transfers in		129,425		129,425
Operating transfers out		(417,870)	(59,458)	(477,328)
Total Other Financing Sources (Uses)		(288,445)	(59,458)	(347,903)
Excess of revenues and other sources over (under) expenditures and other uses	(59,306)	(75,396)	167,671	32,970
FUND BALANCES JANUARY 1	142,738	365,145	111,524	619,407
FUND BALANCES DECEMBER 31	\$ 83,432	\$ 289,749	\$ 279,195	\$ 652,376

GARFIELD COUNTY, UTAH
Statement of Changes in Assets and Liabilities
Agency Funds
December 31, 2004

	<u>Balance December 31, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2004</u>
Assets				
Cash & cash equivalents	\$ 1,364,835	\$ 3,445,310	\$ 4,212,592	\$ 597,553
Taxes receivable	398,556		363,050	35,506
Total assets	<u>\$ 1,763,391</u>	<u>\$ 3,445,310</u>	<u>\$ 4,575,642</u>	<u>\$ 633,059</u>
Liabilities				
Due to taxing units	\$ 1,763,391	\$ 3,445,310	\$ 4,575,642	\$ 633,059
Total liabilities	<u>\$ 1,763,391</u>	<u>\$ 3,445,310</u>	<u>\$ 4,575,642</u>	<u>\$ 633,059</u>

GARFIELD COUNTY, UTAH
COUNTY TREASURER
STATEMENT OF CURRENT TAXES CHARGED,
COLLECTED, AND DISBURSED - CURRENT & PRIOR YEARS
DECEMBER 31, 2004

TAXING UNITS	Year-End Value	Personal Property Value	Total Value	Tax Rate	Per. Prop. Taxes	Taxes Charged
COUNTY FUNDS:						
General	342,549,457	11,103,814	353,653,271	0.001417	15,734	501,127
SCHOOL DISTRICTS						
Garfield County	342,549,457	11,103,814	353,653,271	0.008454	93,872	2,989,785
CITIES AND TOWNS:						
Antimony	4,741,070	80,030	4,821,100	0.000918	73	4,425
Boulder	12,318,590	281,230	12,599,820	0.000369	104	4,650
Cannonville	4,232,024	155,190	4,387,214	0.003469	538	15,219
Escalante	30,356,705	502,185	30,858,890	0.003341	1,678	103,100
Hatch	5,842,175	89,745	5,931,920	0.001063	95	6,305
Henrieville	3,819,230	13,360	3,832,590	0.000934	12	3,579
Panguitch	45,154,695	2,624,904	47,779,599	0.002652	6,961	126,711
Tropic	15,255,325	492,795	15,748,120	0.000777	383	12,236
Sevier River Users	245,145,908	8,138,844	253,284,752	0.000047	383	11,905
Total Cities & Towns					10,227	288,130
CEMETERIES						
Antimony	6,047,095	80,700	6,127,795	0.000204	16	1,250
Cannonville	4,467,389	169,560	4,636,949	0.000304	52	1,410
Escalante	47,505,175	1,382,395	48,887,570	0.000221	306	10,805
Hatch	12,219,940	323,140	12,543,080	0.000065	21	815
Henrieville	4,382,030	13,360	4,395,390	0.000156	2	686
Panguitch	66,560,875	3,445,319	70,006,194	0.000219	755	15,332
Tropic	35,831,215	3,911,460	39,742,675	0.000165	645	6,557
Total Cemeteries					1,797	36,855
WATER CONSERVANCY	245,145,908	8,138,844	253,284,752	0.000358	2,914	90,676
FIRE DISTRICT						
Panguitch Lake Fire Dist.	60,832,220	228,125	61,060,345	0.000500	114	30,530
Mammoth Creek Fire Dist.	37,609,580	500	37,610,080	0.000698		26,251
Total Fire Districts					114	56,781
GRAND TOTALS					124,658	3,963,354

Treasurer's Relief				Taxes Collected	Rate	Fee in Lieu	Misc. Collection	Delinquencies	
Unpaid Taxes	Abatements	Other	Total					Tax	Interest & Penalty
35,506	2,151	4,816	42,473	458,654	91.52	53,082	9,265	53,363	25,789
212,116	12,851	28,768	253,735	2,736,050	91.51	316,693	52,602	306,348	11,711
209	102	-587	-276	4,701	106.24	1,278	91	267	6
417	4	482	903	3,747	80.58	643	87	710	13
1,988	223	45	2,256	12,963	85.18	4,162	289	1,370	50
4,672	645	683	6,000	97,100	94.18	16,249	1,808	7,766	260
917	37	44	998	5,307	84.17	986	117	1,120	35
241	100	174	515	3,064	85.61	1,104	50	671	12
5,712	1,428	892	8,032	118,679	93.66	25,431	2,654	10,851	467
1,457	142	14	1,613	10,623	86.82	2,726	236	2,713	192
800	46	64	910	10,995	92.36	1,067	221	1,142	58
16,413	2,727	1,811	20,951	267,179	92.73	53,646	5,553	26,610	1,093
49	24	-8	65	1,185	94.80	284	26	74	2
169	20		189	1,221	86.60	366	27	120	4
553	50	82	685	10,120	93.66	1,133	185	780	26
108	3	8	119	696	85.40	136	15	131	5
40	17	34	91	595	86.73	186	24	120	3
918	120	214	1,252	14,080	91.83	2,627	322	1,604	119
715	30	93	838	5,719	87.22	898	130	1,002	50
2,552	264	423	3,239	33,616	91.21	5,630	729	3,831	209
6,273	362	1,970	8,605	82,071	90.51	8,129	1,664	8,651	436
1,529	39	201	1,769	28,761	94.21	626	480	213,848	60
1,617		174	1,791	24,460	93.18	12	328	1,695	33
3,146	39	375	3,560	53,221	187	638	808	215,543	93
276,006	18,394	38,163	332,563	3,630,791	91.61	437,818	70,621	614,346	39,331

COMPLIANCE SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

GARFIELD COUNTY, UTAH REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Board of County Commissioners
Garfield County
Panguitch, Utah

We have audited the financial statements of Garfield County, Utah as of and for the year ended December 31, 2004, and have issued our report thereon dated June 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Garfield County, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Garfield County, Utah in a separate letter dated June 30, 2005.

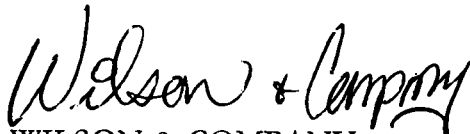
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Garfield County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Garfield County, Utah
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We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Garfield County, Utah in a separate letter dated June 30, 2005.

This report is intended solely for the information of Garfield County, Utah and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these intended parties.



WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
June 20, 2005

Wilson & Company

Certified Public Accountants / A Professional Corporation

GARFIELD COUNTY, UTAH
AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS
For the Year Ended December 31, 2004

The Honorable Board of County Commissioners
Garfield County
55 South Main
Panguitch, Utah

We have audited the general purpose financial statements of Garfield County, Utah, for the year ended December 31, 2004 and have issued our report thereon dated June 20, 2005. As part of our audit, we have audited Garfield County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended December 31, 2004. The County received the following major State assistance programs from the State of Utah:

B Road Funds (Department of Transportation)
State Mineral Lease
UDOT - Div of Aeronautics
Liquor Law Enforcement

Our audit also included testwork on the County's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation
Other Compliance Requirements
Liquor Law Enforcement
Impact Fees

Justice Courts
Special Districts
B & C Road Funds
Uniform Building Code Standards
Statement of Taxes Charged, Collected
and Disbursed
Assessing and Collecting
Transient Room Tax

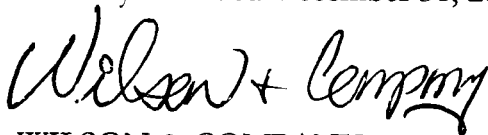
The management of Garfield County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred.

An audit includes examining, on a test basis evidence about the County's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Garfield County, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2004.



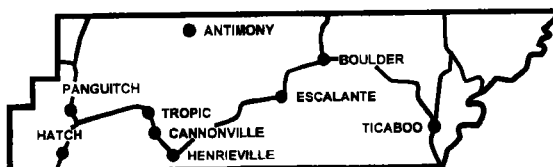
WILSON & COMPANY
Certified Public Accountants

June 20, 2005
Cedar City, Utah

GARFIELD COUNTY

County Commissioners

D. Maloy Dodds
H. Dell Lefevre
Clare M. Ramsay
Camille A. Moore
Clerk/Auditor



55 South Main Street, P.O. Box 77 • Panguitch, Utah 84759
Phone (435) 676-8826 • Fax (435) 676-8239

Joe Thompson, Assessor
Judy Henrie, Treasurer
Than Cooper, Sheriff
Wallace A. Lee, Attorney
A. Les Barker, Recorder
John W. Yardley,
Justice Court Judge

July 27, 2005

Utah State Auditor
211 State Capitol
Salt Lake City, Utah 84114

Gentlemen:

In response to the management letter issued by Wilson and Company for the calendar year ending December 31, 2004, I would like to offer the following:

1. State Surcharge Payments: The County will continue to make every effort to transmit state surcharge payments and reports by the 10th of each month.
2. Netting of Revenues and Expenses: Revenues and expenses will be recorded separately to better enhance reporting and analysis of financial results.
3. Sheriff's Office:

Inmate Billing: The State Treasurer's Office has been contacted and a request made to have all payments sent directly to the County Auditor's Office.

Signature Stamps: The Sheriff's Office will be directed to destroy or secure the signature stamp.

Purchase of Ammunition: The Sheriff's Office will be directed to discontinue the practice of purchasing items for employees personal use.

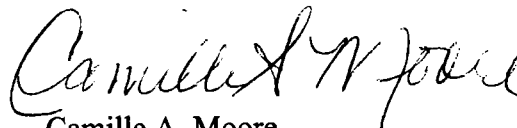
Miscellaneous Cash Receipts: A lock box has been installed in the Sheriff's Office and a log is faxed to the Clerk's Office when funds are received. A deputy from the clerk's office picks up any contents of the lock box as soon as possible after the fax is received and the funds are receipted into the Cash Receipting system and deposited.

Inmate Trust Account: The County Auditor's Office will reconcile the Inmate Trust Account monthly. The account will be monitored closely and documentation will be verified for any checks made payable to individual corrections officers.

4. Grant Administration: The County will adopt a formal policy stating that all grants will be administered by the clerk/auditor's office.
5. Budget Compliance: The budget will be monitored more closely to ensure that no category exceeds the adopted budget.
6. Purchasing Policy and Procedures: The County will be diligent in reviewing supporting documentation and department head approval for invoices and credit card statements.
7. Fixed Asset Controls: The Commission will meet with the Sheriff and his department heads to ensure that county assets are stored at appropriate locations and inventoried on a regular basis. A policy will be established for county employees and volunteers to check assets in and out.

Garfield County appreciates the service and dedication of our independent auditors. The audit was performed in a very thorough and timely manner. Their suggestions and recommendations will help to improve the service provided the citizen's of Garfield County.

Sincerely,

A handwritten signature in black ink, appearing to read "Camille A. Moore". The signature is fluid and cursive, with the first name "Camille" being the most prominent part.

Camille A. Moore
Garfield County Clerk/Auditor

Wilson & Company

Certified Public Accountants / A Professional Corporation

The Honorable Board of County Commissioners
Garfield County
55 South Main
Panguitch, Utah 84759

We have completed our examination of the records of Garfield County for the year ended December 31, 2004. As part of our engagement, we offer the following recommendations for strengthening internal accounting controls and improving accounting procedures.

In considering the findings and recommendations in this letter, it is important to recognize that a letter of this type is intended to be constructive in nature and its purpose is to point out areas for improvement. The absence of comment of a positive or complimentary nature is not intended to imply that the County operates in an inefficient or unsound manner.

State Surcharge Payments

State surcharge payments are required to be paid to the state by the tenth of the month. It was noted during our exam that payments were not always transmitted by the tenth of the month following receipt.

We recommend that all state surcharge amounts are remitted to the state by the 10th of the month following collection in accordance with state regulations.

Netting of Revenues and Expenses

We noted during our exam that some revenue and expense items were netted in the same general ledger account.

We suggest that the County follow the generally accepted practice of recording revenues and expenses separately to better enhance reporting and analysis of financial results.

Sheriff's Office

The following practices and procedures were noted in the sheriff's office and jail:

Inmate Billing:

We noted that checks for the housing of inmates are still being sent directly to the jail instead of the clerk's office.

We suggest that all checks must be sent directly to the clerk's office and not to the jail. For administrative purposes, a copy of the check received could be faxed to the jail as notification that payment has been received.

Signature Stamps:

We noted that while the sheriff's signature stamp is not being used anymore, it is kept in an unsecured desk drawer which is accessible by many.

We suggest that the stamp be destroyed or secured in a locked location.

Purchase of Ammunition:

We noted in our review of the sheriff's office deposit summary that deposits often include reimbursements coming from officers which are apparently for ammunition purchased for them for personal use.

We suggest that County policy be followed which precludes the purchase by the County of any items to be used personally by county employees.

Miscellaneous Cash Receipts:

We noted at the time of our review of the sheriff's office and jail that miscellaneous cash receipts such as civil process fees were collected at the sheriff's office or jail and then remitted to the clerk at a later time.

We suggest that a lock box system be placed at the jail and that deposits of miscellaneous cash receipts received or money taken in over weekends, holidays, or at night be immediately recorded on a deposit slip from the general account and placed in the lock box. The contents of the box should be retrieved daily by the clerk's office and processed. Doing so will protect the cash receipts as well as those working at the sheriff's office and jail.

Inmate Trust Account:

We noted that the inmate trust account is now being reconciled by the clerk's office but that there are sometimes delays in the reconciliation being completed each month.

We suggest that this account should be monitored closely and that a specific individual in the clerk's office be given the responsibility to reconcile and review the account monthly with the reconciliation given to the clerk for final review.

We also noted that there were checks made out from the inmate trust account to jailors.

We strongly suggest that if it is necessary to make a check out to a jailor to reimburse for purchases made on behalf of inmates, that it be strict policy that no such check will be made out unless detailed receipts showing the items purchased be included with the request for reimbursement and kept as backup for the disbursement to a jailor.

Grant Administration

During our exam we noted that some grants are not being administered by the clerk's office.

We suggest that all grants of any nature and from any source be administered by the clerk's office to ensure that the funds are properly accounted for both from a cash receipt and a cash disbursement perspective. In addition, doing so will allow for the proper recording and control of all assets received by the County through grants.

Budget Compliance

We noted during our exam that the transfers out category in the general fund exceeded the adopted budget.

We suggest that careful monitoring of the budget take place during the year and that the budget be opened and adjusted if needed before year end in accordance with procedures allowed by state law.

Purchasing Policies and Procedures

We noted during our audit that some credit card payments were made without the receipts attached to the credit card bills. We also noticed that some departmental authorizations included department head signature stamps. In addition, we noted that some vendor invoices were not signed by the department heads.

We recommend that the supporting documentation for paid bills include all supporting invoice copies. We further recommend that signature stamps not be used. Any stamps in use must be carefully safeguarded and locked up.

Fixed Asset Internal Controls

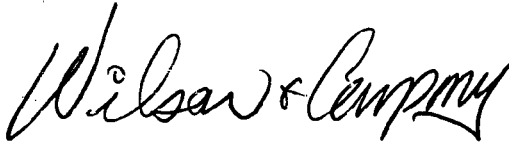
We noted during our audit that some of the County's fixed assets acquired by the Sheriff's Department included assets that may be used for personal purposes. We further noted that some of these assets were stored at officer's homes rather than on County property.

We recommend that these assets be stored at a County location and that these assets be checked out as needed.

Garfield County

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We appreciate the opportunity to serve the County as independent auditors, and would like to thank both elected officials and County employees for being so helpful during our examination. If we can be of further service or if additional information is required as to items covered in this letter, we would be pleased to meet with you.

A handwritten signature in cursive script that reads "Wilson & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

WILSON & COMPANY
Certified Public Accountants
June 30, 2005